

PALM BEACH

The Palm Beach industrial market saw more of a balanced quarter with a tepid 1,800 square feet of positive net absorption, an improvement after two consecutive quarter corrections. Nevertheless, supply still outpaced demand, as more than 260,000 square feet has returned to the market so far in 2019. The overall vacancy rate increased 10 basis points to 4.4% from the previous quarter and up 110 basis from this time last year. Industrial occupancy still held above 95.0%, which is a sign of healthy market fundamentals. Although slowing conditions held over the past year, disciplined development mitigated the negative impacts to the market. Construction remained limited, as three buildings totaling 175,000 square feet have been built since the start of the year, while three buildings combining for just over 500,000 square feet were under construction. No other major buildings are expected to break ground for the remainder of the year.

As growth has slowed, so has the amount of mid to large sized lease deals. The majority of third-quarter transactions fell below the 10,000-square-foot mark, as smaller local businesses remained the primary driver of the Palm Beach industrial market. However, the average asking rate in Palm Beach continued to climb past previous record levels, increasing \$0.60/SF to \$10.38/SF from one year ago. Consequently, Palm Beach not only held onto the distinction of having the highest rate for industrial space in Florida, but also it became the only market to break the \$10.00/SF mark. General industrial space increased \$0.14/SF from the \$9.70/SF rate, while the warehouse/distribution segment saw a \$0.56/SF increase from \$7.88/SF one year ago to \$8.42/SF.

LEASING AND DEMAND

Leasing activity fell from the previous quarter, as 98 transactions totaling 526,000 square feet were recorded, bringing year-to-date activity to more than 1.7 million square feet. This was an uptick from the 1.3 million square feet leased this time last year and can be attributed to the strong second-quarter activity. Warehouse/distribution space held the lead with 1.5 million square feet. This was in stark contrast with the 239,000 square feet of general industrial space, while the R&D/flex segment continued its lackluster performance with 47,000 square feet. The majority of activity came from local companies, as lateral relocations and small expansions still dominated deals. Retail and wholesale companies signed most of the larger lease deals in Palm Beach, totaling 184,000 square feet, while the manufacturing sector took second place with 53,000 square feet. The logistics and distribution sector was a close third with 51,000 square feet transacted, while all other industries struggled, achieving no deal greater than 20,000 square feet.

INVESTMENT SALES

Although no sales occurred during the third quarter, investment activity in the first half of the year totaled 960,000 square feet, enough to more than double the 371,000 square feet of year-to-date sales activity from one year ago. Investment sale prices combined for a total of \$80.1 million, an improvement from the \$50.9 million total from last year. Some lower-tier industrial property sales impacted the average price per square foot, which decreased to \$83/SF from \$104/SF from one year ago. Notably, warehouse/distribution properties sold at an average that was closer to \$100/SF. Palm Beach investment sales will likely remain tepid, as owners tend to hold onto properties in markets where market fundamentals should remain strong.

CURRENT CONDITIONS

After two quarters of slight corrections, Palm Beach's industrial market saw a more balanced trend between demand and supply.

Landlords pushed asking rents further as the \$10.31/SF remained the only market above the \$10.00/SF mark and the highest in Florida.

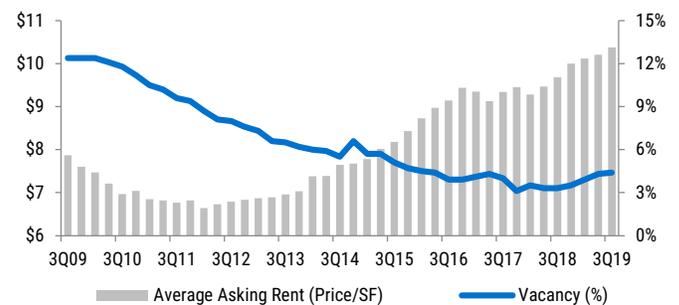
Disciplined construction remained with one smaller building completed during third quarter and three buildings over a half million square feet were under construction.

Vacancy rates ticked upward as slowing conditions held but strong market fundamentals are still in place.

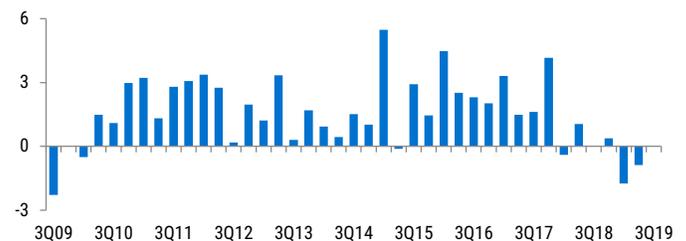
Low vacancy rates and limited development should keep the industrial sector well positioned and help withstand significant impacts from an economic slowdown.

MARKET ANALYSIS

Asking Rent and Availability



Net Absorption (SF, 100,000)



MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	48.6 MSF	48.5 MSF	48.2 MSF	↑
Vacancy Rate	4.4%	4.3%	3.3%	↑
Quarterly Net Absorption	1,896	(88,331)	(174,472)	↔
Average Asking Rent	\$10.38	\$10.21	\$9.68	↑
Under Construction	510,253	407,853	202,413	↔
Deliveries	41,400	77,870	0	↔

PALM BEACH MARKET STATISTICS

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	WH/Dist Asking Rent (Price/SF)	R&D/Flex Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Boca Raton	8,641,081	0	4.7 %	-8,153	-75,366	\$12.26	\$16.26	\$14.59
North Central	25,099,656	0	3.7 %	-99,573	-195,758	\$7.81	\$10.49	\$8.97
North County	3,867,766	510,253	7.1 %	930	4,560	\$8.24	\$12.47	\$9.83
South Central	10,958,725	0	4.6 %	108,694	5,659	\$7.53	\$12.66	\$9.55
Totals	48,567,228	510,253	4.4 %	1,898	-260,905	\$8.42	\$13.12	\$10.38

PALM BEACH LEASE/USER TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
Amazon	Turnpike Crossing Industrial Pk-6717 Belvedere	North County	Expansion	66,000
Orange Theory	S Congress Ind Ctr-6403 W Rogers Cir	Boca Raton	Direct	44,500
World Electric Supply	Westroads Ind Pk-6780 White Dr	North Central	Direct	25,000
Guardian	Pk @ Broken Sound-6100 Broken Sound Pkwy	Boca Raton	Direct	20,600
Dean Mitchell Group	3220 45 th St	North Central	Direct	12,800

SELECT SALE TRANSACTIONS

Building	Submarket	Sale Price	Price/SF	Square Feet
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No major industrial investment sales took place during 3Q19.